



Income Tax Credit Reviews

59-7-159 & 59-10-137

OFFICE OF LEGISLATIVE RESEARCH AND GENERAL COUNSEL

Revenue and Taxation Interim Committee

October 21, 2020



59-7-159 & 59-10-137

- **The committee is required to review roughly one-third of the available income tax credits every year.**
 - Each credit gets reviewed every three years.
- **The committee is required to evaluate credits and make recommendations on whether the credits should be:**
 - Continued
 - Modified
 - Repealed



Special Needs Adoption

- **Available since 2001**
 - Refundable
 - \$1,000 credit
- **59-10-1104 (Individual)**
 - 224 credits claimed in 2018
 - Total amount of \$214,487
 - Average credit amount of \$958



Veteran Employment

- **Available since 2012**
 - Nonrefundable
 - Up to \$2,400 credit
 - Available to those who hire an unemployed, recently deployed veteran on a ~ full time basis
- **59-10-1031 (Individual)**
 - 15 credits claimed in 2018
 - Total amount of \$25,485
 - Average credit of \$1,699



Agricultural Off-Highway Gas or Undyed Diesel Fuel

- **59-13-202**
 - \$0.30/gallon credit for motor fuel and undyed diesel bought in Utah
 - Used to operate stationary farm engines and self-propelled farm machinery used solely for commercial non-highway agricultural use
 - If the fuel was taxed at the time it was bought
- **488 credits claimed in 2018**
- **Total amount of \$139,399**
- **Average credit of \$286**



Combat Related Death

- **Available since 2010**
 - Nonrefundable
 - Available to those filing a return on behalf of a military service member who died as a result of military service in a combat zone
 - Equal to the amount of the filer's tax liability on the return attributable to the deceased service member.
- **59-10-1027 (Individual)**
 - Fewer than 10 credits claimed in 2018
 - Total amount of less than \$1,000



Farm Operation Hand Tools Tax Credit

- **Available since 2004**

- Credit for sales and use tax paid on hand tools purchased and used or consumed primarily and directly in a farming operation in Utah
- Credit only applies if the purchase price of the tool is more than \$250

- **59-10-1105 (Individual)**

- 41 credits claimed in 2018
- Total amount of \$4,726
- Average credit of \$115

- **59-7-614.1 (Corporate)**

- Fewer than 10 credits claimed in 2018
- Total amount of less than \$1,000



Qualified Sheltered Workshop

- **Available since 1983**
 - Nonrefundable credit for contributions made to nonprofit rehabilitation sheltered workshop facilities for persons with a disability
 - Credit is for the lesser of 50% of the contribution or \$200
 - Corporate credit on different review cycle
- **59-10-1004 (Individual)**
 - 106 credits claimed in 2018
 - Total amount of \$15,052
 - Average credit of \$142



Organ Donation Expense

- **Available since 2005**
 - Nonrefundable credit for travel, lodging, and lost wage expenses associated with live organ donation
 - Credit equal to lesser of 100% of expenses or \$10,000
- **59-10-1015 (Individual)**
 - 49 credits claimed in 2018
 - Total amount of \$74,563
 - Average credit of \$1,522



Securities Interest

- **59-7-601**

- Nonrefundable credit for interest income from securities issued by the state, its instrumentalities, or the U.S. government
- Credit equal to 1% of interest income from such securities

- **Corporate Credit**

- 49 credits claimed in 2018
- Total amount of \$2,767,766
- Average credit of \$56,485



Research Activities

- **Expanded in 2008**

- Nonrefundable credit for qualified research expenses
- Based on Federal credit for increasing research activities
- Individual credit on different review cycle

- **Federal Credit**

- 20% of qualified research expenses that exceed baseline research spending
- Baseline = average % of gross revenues spent on research during base period
 - Min = 50% of research expenses in current year
 - Max = 16% of average gross revenues during base period



Research Activities

- **Utah Credit**

- Only applies to qualified research expenses in the state
 - 5% of qualified research expenses above baseline, plus
 - 7.5% of total qualified research expenses
- Utah credit is worth more than federal credit any time baseline is greater than minimum allowable

- **59-7-612 (Corporate)**

- 281 credits claimed in 2018
- Total amount of \$64,295,888
- Average credit of \$288,811